

THE INSURANCE CODE OF 1956 (EXCERPT)
Act 218 of 1956

CHAPTER 44
GROUP LIFE INSURANCE

500.4400 Scope of chapter; compliance required.

Sec. 4400. (1) This chapter applies only with respect to group life insurance.

(2) Except as provided in this chapter it shall be unlawful to make a contract of life insurance covering a group in this state.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4404 Employee groups; required number of participants; premium payments; group life insurance as part of combined group life and disability insurance policy.

Sec. 4404. Group life insurance may be issued covering not less than 2 employees with or without medical examination, written under a policy issued to the employer or to the trustees of a fund established by the employer, the premium on which is to be paid by the employer, the employees, or by the employer and the employees jointly, and insuring only all of his or her employees, or all of any class or classes of employees determined by conditions pertaining to the employment, for amounts of insurance based upon some plan that will preclude individual selection, for the benefit of persons other than the employer. This section does not require an employee to purchase group life insurance. Group life insurance may be written as part of a combined group life and disability insurance policy.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1957, Act 20, Imd. Eff. Apr. 19, 1957;—Am. 1995, Act 210, Imd. Eff. Nov. 29, 1995;—Am. 2006, Act 511, Imd. Eff. Dec. 29, 2006.

Popular name: Act 218

500.4405 Group life insurance policy; issuance to trust or trustees; requirements.

Sec. 4405. Notwithstanding section 4404, a group life insurance policy may be issued to a trust or trustees of a fund established by 2 or more employers to insure 1 or more employees of the employers.

History: Add. 1988, Act 312, Eff. Mar. 30, 1989.

Popular name: Act 218

500.4408 National guard groups; participation authorization.

Sec. 4408. Group life insurance may be issued covering the members of 1 or more companies, batteries, troops or other units of the national guard of any state, written under a policy issued to the commanding general of the national guard who shall be deemed to be the employer for the purposes of this chapter, the premium on which is to be paid by the members of such units for the benefit of persons other than the employer: Provided, however, That when the benefits of the policy are offered to all eligible members of a unit of the national guard, not less than 75% of the members of such a unit must be so insured.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4412 Labor union, teacher and postal clerk groups; participation authorization.

Sec. 4412. Group life insurance may be issued covering the members of any labor union, or state associations of teachers or postal clerks written under a policy issued to such union or association which shall be deemed to be the employer for the purposes of this chapter, the premium on which is to be paid by the union or association or by the union or association and its members jointly, and insuring only all of its members for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than the union or association or its officials: Provided, however, That when the premium is to be paid by the union or association and its members jointly and the benefits are offered to all eligible members, not less than 75% of such members may be so insured: Provided further, That when members apply and pay for additional amounts of insurance, a smaller percentage of members may be insured for such additional amounts if they pass satisfactory medical examination.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4416 Group life insurance; groups of borrowers or purchasers.

Sec. 4416. Group life insurance may be issued covering only the lives of members of a group of persons who become borrowers from 1 financial institution, including subsidiary or affiliated companies, or who become purchasers of merchandise or other tangible property from 1 vendor under agreement to repay the sum borrowed or to pay the balance of the price of the merchandise or other tangible property purchased on the installment plan over a period of not more than 10 years, to the extent of their indebtedness to the financial institution or vendor. The policy may be issued on the application of, and made payable to, the financial institution or vendor or other creditor to whom the vendor may have transferred title to the indebtedness, as beneficiary, the premium on the policy to be payable either from funds of the financial institution, vendor or other creditor, or from charges collected from insured borrowers or purchasers, or both. If all or part of the premium is derived from the collection of an identifiable charge for the insurance from the insured borrowers or purchasers, the borrowers or purchasers shall have the option to reject the insurance. The total amount charged to the borrower for interest and for the insurance premium shall not exceed the maximum amount of interest which could be lawfully charged. The financial institution, including subsidiaries or affiliated companies, shall not act as agent for the group life insurance transaction. The provisions of section 4438 shall not apply to insurance described in this section. The borrower shall be given written notification of the application of the insurance when written. If a beneficiary receives money from a policy issued under this section, the person whose indebtedness is insured, or the estate of the deceased, shall be released from liability for the payment of the indebtedness to the amount paid to the beneficiary on the policy.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1957, Act 78, Eff. Sept. 27, 1957;—Am. 1961, Act 226, Eff. Sept. 8, 1961;—Am. 1978, Act 169, Imd. Eff. May 27, 1978;—Am. 1988, Act 374, Imd. Eff. Dec. 21, 1988.

Popular name: Act 218

500.4418 Group life insurance; loans on dwellings or mobile homes; insurer providing monetary benefits to financial institutions; payment of dividends to financial institution.

Sec. 4418. (1) Group life insurance may be issued in connection with loans on dwellings or mobile homes when provided through a group if the lending or servicing financial institution directly or indirectly is the group policyholder. The insurance shall be only on a decreasing term basis and shall be limited in initial amount to the amount of the loan. Dividends payable under these group policies shall inure solely to the benefit of the party paying the premiums on the insurance and shall be proportionate to that portion of the premium paid by or on behalf of the certificate holder. Policies issued under this section shall contain a conversion privilege specifying that within 31 days after the repayment of the mortgage, the insured may convert the insurance then in force to a permanent form of life insurance. The available forms of converted insurance shall include whole life. The insurer may limit the converted policy to a minimum of \$1,000.00 or to a maximum equal to 80% of the insurance then in force, or both. If the loan for which the insurance was issued is repaid, any prepaid premiums in excess of \$5.00 shall be returned to the insured.

(2) An insurer may provide for or pay to the lending or servicing financial institutions monetary or financial benefits as a result of insurance on the life of a borrower in connection with a loan on a dwelling or mobile home made or serviced by the financial institution. However, if the insurance authorized under this section is offered in connection with the origination of a loan, an insurer may provide for or pay to the lending or servicing financial institutions monetary or financial benefits as a result of that insurance only if the insurer has taken reasonable steps to ensure each of the following:

(a) The loan and insurance transactions are separated through a written disclosure given by the lending or servicing financial institution to the borrower, at the time it first initiates discussion of the insurance with the borrower, stating that insurance offered under this section need not be purchased as a condition of the loan.

(b) The written disclosure states that the borrower is not required to decide whether or not to apply for the insurance until after approval of the loan has been communicated to the borrower.

(c) The lending or servicing financial institution gives a written disclosure to the borrower that it or an affiliate has a financial interest in the insurance transaction by not later than the time the borrower is asked to decide whether or not to apply for the insurance coverage offered under this section.

(d) The loan and insurance transactions are completed through separate documents.

(3) This section does not supersede or modify section 1243(35).

(4) Dividends paid before, on, or after the effective date of this subsection to a financial institution or its affiliate on stock owned in a reinsurer that accepts cessions from an insurance company that provides group insurance of the types authorized by this section are lawful.

History: Add. 1968, Act 224, Eff. Jan. 1, 1969;—Am. 1973, Act 10, Imd. Eff. Apr. 12, 1973;—Am. 1982, Act 379, Eff. Mar. 30, 1983;—Am. 1996, Act 158, Imd. Eff. Apr. 3, 1996.

Popular name: Act 218

500.4419 Prepaid funeral contracts; group life insurance.

Sec. 4419. Group life insurance may be issued in connection with prepaid funeral contracts only if it meets all of the following:

- (a) Is issued to an association covering the lives of its members or to a trustee of a group.
- (b) Is issued as an associated life insurance policy or annuity contract under section 2080.
- (c) Conforms with section 2080.

History: Add. 1998, Act 457, Imd. Eff. Jan. 4, 1999.

Popular name: Act 218

500.4420 Nonprofit industrial association groups; participation, authorization.

Sec. 4420. Group life insurance may be issued covering the executives of employer members of any nonprofit incorporated industrial association, which is now and has been actively functioning as such under its articles of incorporation for a period of not less than 10 years, written under a policy issued to such association which shall be deemed to be the employer for the purposes of this chapter, or to the association and the executives of such employer members jointly, and insuring only all of such executives for amounts of insurance based upon some plan which will preclude individual selection, for the benefit of persons other than such association, and the premium on which shall be paid by the employer members or the employer members and the executives of such employer members jointly.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4424 Discretionary groups; authorization; basis of refusal; size and composition; trustee as policyholder; authorizing discretionary groups and plans where no contribution to premium payment from employer or organization; determination by commissioner; maximum insurance available; annual adjustment; continuing insurance in excess of limitations; fee; expenses; information; rules; appeal.

Sec. 4424. (1) The commissioner may authorize the insuring on a group insurance basis of groups other than those specifically defined in sections 4404 to 4420 if conditions or circumstances indicate that granting permission for discretionary group life insurance coverages is in the interest of public policy. This section does not limit the commissioner to only authorize those groups that are logically analogous in character and composition to the groups specifically defined in sections 4404 to 4420.

(2) The commissioner may refuse to grant permission in any instance on the basis of a finding that the requested group plan:

(a) Would not result in economies of acquisition and administration that justify a group rate.

(b) Would present hazards of voluntary adverse selection to a degree not usually present in group insurance.

(c) Would be actuarially unsound.

(d) Would fail to preclude individual selection among persons to be insured under the proposed group plan.

(3) The discretionary group shall consist of not less than 250 persons. The discretionary group may consist of only a portion of the employees of an employer or of the members of an organization, if segregation arises out of reasonable grounds, geographical or otherwise, that make it presently impossible or undesirable to include in a single group all of the employees or members. The discretionary group may consist of employees of more than 1 employer, or the members of more than 1 organization or association, if evidence submitted clearly indicates the desirability of embracing the proposed assemblage of individuals under a single group. By way of particular, but not in limitation, the group may consist of the employees of 1 or more governmental or quasigovernmental units, federal, state, municipal, or local.

(4) If, for reasons that the commissioner determines to be adequate, it appears to be impossible or infeasible for the employer to be the policyholder in any group authorized under this section, the commissioner may authorize the designation of a trustee or trustees to be the policyholder, subject to rules the commissioner approves.

(5) The commissioner may authorize discretionary groups and plans of group insurance that qualify in all other respects under this section although there be no contribution to the premium payment from the employer or organization if the commissioner finds that circumstances render the contribution inequitable, impossible, or impracticable.

(6) The percentage of employees or members required to participate in any group authorized under this section, the types of insurance coverage to be offered to the members of the group, and the amounts of insurance to be provided, shall be as the commissioner determines. The maximum insurance available to any

member of a group authorized under this section shall not exceed \$80,000.00. The maximum shall be adjusted beginning July 1, 1982, and annually thereafter, to reflect changes in the cost of living under rules prescribed by the commissioner. However, if a group that previously operated under authority of any of the sections 4404 to 4420 is continued under the provisions of this section, the types of insurance and amounts of coverage already authorized in the group may be continued although in excess of the limitations that would otherwise be available under this section.

(7) Before any application for permission to qualify under this section is considered, the applicant shall deposit with the commissioner a specific fee of \$100.00 to defray the costs of examining into the circumstances and conditions appertaining to the proposed group and group insurance and shall covenant to compensate the insurance bureau for any additional unusual expenses that it may incur. The applicant shall furnish such information, documents, and data pertaining to the proposed group plan as the commissioner requires to arrive at his or her determination. The commissioner shall, from time to time, promulgate rules for the enforcement of this section.

(8) The applicant may appeal from the commissioner's refusal to authorize the discretionary group to the circuit court for the county of Ingham on the grounds that the refusal is arbitrary or capricious and devoid of sound underwriting or actuarial grounds; but any fees or costs paid to or incurred by the insurance bureau under subsection (7) is not subject to recovery.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1957, Act 77, Eff. Sept. 27, 1957;—Am. 1968, Act 113, Imd. Eff. June 11, 1968;—Am. 1976, Act 351, Imd. Eff. Dec. 21, 1976;—Am. 1980, Act 263, Imd. Eff. Sept. 15, 1980;—Am. 1981, Act 1, Imd. Eff. Mar. 30, 1981;—Am. 1982, Act 27, Imd. Eff. Mar. 9, 1982;—Am. 1998, Act 457, Imd. Eff. Jan. 4, 1999.

Popular name: Act 218

Administrative rules: R 500.402 et seq. of the Michigan Administrative Code.

500.4426 Extension of coverage to eligible dependents of insured; amounts; payment of premiums.

Sec. 4426. (1) Insurance under any group life insurance policy issued pursuant to sections 4400, 4404, 4408, 4412, 4420 and 4424 may be extended to insure the eligible dependents of each insured employee or member who so elects.

(2) The amounts of dependent insurance shall be in accordance with a plan which precludes individual selection.

(3) The premiums for the insurance on dependents may be paid by the employer or policyholder, or the employee or member, or the employer or policyholder and the employee or member, jointly.

History: Add. 1972, Act 201, Imd. Eff. June 30, 1972.

Popular name: Act 218

500.4430 Group life insurance policy; filing and approval of form; certain provisions required.

Sec. 4430. (1) Except as otherwise provided in section 2236(8)(d), a policy of group life insurance shall not be issued or delivered in this state unless and until a copy of the form of the group life insurance has been filed with and approved by the commissioner.

(2) A policy of group life insurance shall not be issued or delivered unless it contains in substance the provisions of sections 4432 through 4442. A group universal life policy as defined in section 4001(g) shall not be issued or delivered unless it complies with the provisions of chapter 40.

History: 1956, Act 218, Eff. Jan. 1, 1957;—Am. 1987, Act 52, Imd. Eff. June 22, 1987;—Am. 1990, Act 305, Imd. Eff. Dec. 14, 1990;—Am. 1993, Act 349, Eff. Oct. 1, 1994.

Compiler's note: Section 2 of Act 52 of 1987 provides:

"The amendments to sections 2236, 2242, 3440, 3606, 3610, and 4430 of Act No. 218 of the Public Acts of 1956, being sections 500.2236, 500.2242, 500.3440, 500.3606, 500.3610, and 500.4430 of the Michigan Compiled Laws, pursuant to this amendatory act apply to all insurance policies issued on or after January 1, 1957 that were either approved by the commissioner on or after January 1, 1957 or subject to an order of the commissioner exempting policies from filing on or after September 1, 1968. The amendments to sections 2236, 2242, 3440, 3606, 3610, and 4430 of Act No. 218 of the Public Acts of 1956, being sections 500.2236, 500.2242, 500.3440, 500.3606, 500.3610, and 500.4430 of the Michigan Compiled Laws, pursuant to this amendatory act are intended to codify and approve long-standing administrative and commercial practice taken and approved by the commissioner pursuant to his or her legal authority. This amendatory act shall serve to cure and clarify any misinterpretation of the operation of such sections since the effective date of their original enactment. It is the intent of this amendatory act to rectify the misconstruction of the insurance code of 1956 by the court of appeals in Bill v Northwestern National Life Insurance Company, 143 Mich App 766, with respect to the power of the insurance commissioner to exempt certain insurance documents from filing requirements and the offsetting of social security benefits against disability income insurance benefits. This amendatory act does not affect the relationship between disability insurance benefits and personal protection insurance benefits as provided in Federal Kemper v Health Insurance Administration Inc., 424 Mich 537."

Popular name: Act 218

500.4432 Group life insurance policy; incontestability.

Sec. 4432. There shall be a provision that the policy shall be incontestable after 2 years from its date of issue, except for non-payment of premiums and except for violation of the conditions of the policy relating to military or naval service in time of war.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4434 Entire contract; application, representations.

Sec. 4434. There shall be a provision that the policy, the application of the employer and the individual applicants, if any, of the employees insured, shall constitute the entire contract between the parties, and that all statements made by the employer or by the individual employees shall, in the absence of fraud, be deemed representations and not warranties, and that no such statement shall be used in defense to a claim under the policy, unless it is contained in a written application.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4436 Misstatement of age; provision required.

Sec. 4436. There shall be a provision for the equitable adjustment of the premium or the amount of insurance payable in the event of a misstatement of the age of an employee.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4438 Individual certificate; conversion on termination of employment.

Sec. 4438. There shall be a provision that the company will issue to the employer for delivery to the employee, whose life is insured under such policy, an individual certificate setting forth a statement as to the insurance protection to which he is entitled, to whom payable, together with provision to the effect that in case of the termination of the employment for any reason whatsoever the employee shall be entitled to have issued to him by the company, without further evidence of insurability, and upon application made to the company within 31 days after such termination, and upon the payment of the premium applicable to the class of risk to which he belongs and to the form and amount of the policy at his then attained age, a policy of life insurance in any 1 of the forms customarily issued by the company, except term insurance, in an amount equal to the amount of his protection under such group insurance policy at the time of such termination.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4439 Insurance under group policy; assignment of rights, effect.

Sec. 4439. A person whose life is insured under a group insurance policy may, subject and pursuant to the terms of the policy, or pursuant to an arrangement between the insured, the employer and the company, assign (other than to the employer) all or any part of his incidents of ownership, rights, title and interests, both present and future, under such policy including specifically, but not by way of limitation, the right to designate and redesignate a beneficiary or beneficiaries thereunder, the right to make any requisite contributions to maintain the insurance in force, and the right to have an individual policy issued to him in case of termination of employment. Such an assignment by the insured, made either before or after the effective date hereof, is valid for the purpose of vesting in the assignee, in accordance with any provisions included therein as to the time at which it is to be effective, all of such incidents of ownership, rights, title and interests so assigned, but without prejudice to the company on account of any payment it may make or individual policy it may issue prior to receipt of notice of the assignment. This section is not intended to alter the law of this state but is intended only to confirm in express statutory form the law as it exists presently.

History: Add. 1969, Act 330, Imd. Eff. Oct. 27, 1969;—Am. 1970, Act 158, Imd. Eff. Aug. 2, 1970.

Popular name: Act 218

500.4442 New employees; provision required.

Sec. 4442. There shall be a provision that to the group or class thereof originally insured shall be added from time to time all new employees of the employer eligible to insurance in such group or class.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4446 Provisions required by law of other states and countries; more favorable provisions permitted.

Sec. 4446. (1) Policies of group life insurance, when issued in this state by any insurer not organized under the laws of this state, may contain, when issued, any provision required by the law of the state, or territory, or district of the United States, or foreign country, under which the insurer is organized; and policies issued in other states or countries by insurers organized in this state, may contain any provision required by the laws of the state, territory, district or country, in which the same are issued, anything in this chapter to the contrary notwithstanding.

(2) Any such policy may be issued or delivered in this state which in the opinion of the commissioner contains provisions on any 1 or more of the several foregoing requirements set forth in sections 4432 through 4442 more favorable to the employer or to the employee than in such sections required.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4450 Employer deemed policyholder.

Sec. 4450. In every group life insurance policy issued in this state, the employer shall be deemed to be the policyholder for all purposes within the meaning of this chapter, and, if entitled to vote at meetings of the insurer, shall be entitled to 1 vote thereat.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218

500.4454 Readjustment of premium rate; optional provisions.

Sec. 4454. Any group life insurance policy may provide for a readjustment of the rate based on experience at the end of the first year or any subsequent year of insurance, which readjustment may be made retroactive for such policy year only.

History: 1956, Act 218, Eff. Jan. 1, 1957.

Popular name: Act 218